

EUCALYPTUS GROVE HOMEOWNERS' ASSOCIATION

FINANCIAL & BUDGET

		"Projected"			
	2012	2011	2010	2009	2008
	BUDGET	ACTUAL	ACTUAL	ACTUAL	ACTUAL
-- REVENUES --					
OWNER ASSESSMENTS	\$816,240.00	\$816,240.00	\$801,468.66	\$805,430.61	\$815,728.80
SPECIAL ASSESSMENT	0.00	0.00	0.00	0.00	0.00
INTEREST INCOME	5,000.00	5,000.00	4,599.24	10,719.49	13,784.13
OTHER INCOME	0.00	3,600.00	3,080.28	2,626.37	106,909.25
TOTAL REVENUE	\$821,240.00	\$824,840.00	\$809,148.18	\$818,776.47	\$936,422.18
-- EXPENDITURES --					
CLEANING	\$13,000.00	\$13,000.00	\$11,110.00	\$11,150.00	\$9,405.00
ELECTRIC	21,000.00	19,000.00	19,738.34	19,146.66	20,809.92
LANDSCAPING	64,000.00	62,000.00	66,105.00	61,020.00	61,020.00
LANDSCAPING SUPPLY/EXTRAS	15,000.00	16,000.00	11,476.97	7,629.48	8,625.15
MANAGEMENT	28,224.00	27,264.00	26,772.00	26,244.00	24,756.00
PAINTING	4,000.00	6,000.00	2,898.00	349.26	600.93
POOL MAINT & SUPPLIES	15,000.00	15,000.00	12,523.91	10,759.10	19,215.79
POOL HEATING (GAS)	9,000.00	8,000.00	7,754.43	6,138.01	7,041.47
REPAIRS & MAINT	50,000.00	50,000.00	48,176.53	49,911.14	31,922.83
RUBBISH REMOVAL	50,000.00	45,000.00	51,363.52	51,980.42	49,124.43
PATROL/ALARM SERVICES	2,500.00	0.00	0.00	0.00	0.00
SUPPLIES	6,000.00	6,200.00	3,469.27	5,515.44	4,519.61
WATER & SEWER	25,000.00	23,000.00	20,377.44	25,142.52	25,897.33
INSURANCE	105,000.00	102,000.00	101,039.50	103,256.08	102,022.99
PEST CONTROL	2,000.00	2,000.00	1,546.00	306.00	466.00
PROFESSIONAL FEES	5,000.00	5,000.00	5,988.65	2,600.00	2,784.30
TELEPHONE (ENTRY GATE)	500.00	500.00	475.84	457.75	441.58
TAXES	1,000.00	10.00	1,576.00	3,469.00	829.00
MISCELLANEOUS	3,000.00	1,500.00	2,204.73	1,813.00	2,085.18
TOTAL OPERATING EXPENSES	\$419,224.00	\$401,474.00	\$394,596.13	\$386,887.86	\$371,567.51
Plus: Amount Added to Reserve	402,016.00	423,366.00	414,552.05	431,888.61	564,854.67
TOTAL FUNDS NEEDED	\$821,240.00	\$824,840.00	\$809,148.18	\$818,776.47	\$936,422.18
CHANGE IN RESERVE:					
Total Funding	\$821,240.00	\$824,840.00	\$809,148.18	\$818,776.47	\$936,422.18
Less: Operating Expenses	(419,224.00)	(401,474.00)	(394,596.13)	(386,887.86)	(371,567.51)
Reserve Expenditures	(981,900.00)	(205,300.00)	(105,781.02)	(154,573.28)	(186,776.66)
NET RESERVE Increase (Decrease)	(\$579,884.00)	\$218,066.00	\$308,771.03	\$277,315.33	\$378,078.01

Item #1. MONTHLY FEES: In order to meet this budget, the monthly fees (assessments) will be:

(179 Units-13 Bldgs) **\$380.00 EFFECTIVE JANUARY 1, 2012**

Note: Units paying fees after the 30th day of the Month, will be charged a late charge of 1.5% of the outstanding balance

Item #2. SPECIAL ASSESSMENT: No Special Assessment is anticipated in 2012.

"Projected"

Item #3. FUNDS AVAILABLE:

12/31/11	Community West Bank	\$249,000.00		
	CDAR's Accounts	1,150,000.00		
	Operating Account	5,000.00	TOTAL	\$1,404,000.00
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Item 4. MAJOR REPAIRS AND REPLACEMENTS: The following cost estimates and reserve analysis is based on a reserve study which is reviewed by the Board of Directors each year to account for inflation and planning changes:

ITEM-Expected Life	EXPECTED		EXPECTED COST	RECOMMENDED		BALANCE NEEDED	2012 ADDITIONS	PROJ. BAL. 12/31/12
	LIFE	DATE DUE		IN RESERVE 12/31/11				
Foundation Waterproofing	30	2012	165,000	165,000	0	(159,500)	5,500	
Gate Operator (Slide)	10	2012	2,800	2,800	0	(2,520)	280	
Exercise Room Equip.	15	2012	7,000	7,000	0	(6,533)	467	
Gate Operator (Slide)	10	2012	2,800	2,800	0	(2,520)	280	
Paint Wood/Metal Trim	4	2012	77,000	77,000	0	(57,750)	19,250	
Roof Shingle (Balance)	25	2012	80,000	80,000	0	(76,800)	3,200	
Dryrot Repairs	4	2012	300,000	300,000	0	(225,000)	75,000	
Spa Filter	12	2012	1,250	1,250	0	(1,146)	104	
Stair Landing Reseal	4	2012	15,600	15,600	0	(11,700)	3,900	
Termite Fumigation (Bal)	15	2012	6,000	6,000	0	(5,600)	400	
Tree Trimming	3	2012	16,500	16,500	0	(11,000)	5,500	
Paint - Wood Siding	6	2012	156,000	156,000	0	(130,000)	26,000	
Paint Carports	6	2012	84,000	84,000	0	(70,000)	14,000	
Paint Metal Fence & Rail	3	2012	6,800	6,800	0	(4,533)	2,267	
Asphalt Seal Coat/Repair	3	2012	42,000	42,000	0	(28,000)	14,000	
Cabana Water Htr.	12	2012	2,600	2,600	0	(2,383)	217	
Mailbox Pagodas	20	2012	14,000	14,000	0	(13,300)	700	
Pool Pump	6	2012	850	850	0	(708)	142	
Spa Pumps	6	2012	1,700	1,700	0	(1,417)	283	
Lights-Street Fixtures	28	2013	22,400	21,600	800	800	22,400	
Paint Front Wood Fence	6	2013	6,600	5,500	1,100	1,100	6,600	
Termite Fumigation (7600)	15	2014	6,000	5,200	800	400	5,600	
Asphalt Overlay	30	2015	180,000	162,000	18,000	6,000	168,000	
Cabana Floor & Wall Tile	30	2015	10,400	9,360	1,040	347	9,707	
Metal Pool Fence (6')	30	2015	15,000	13,500	1,500	500	14,000	
Spa Retile	30	2015	6,000	5,400	600	200	5,600	
Stair Rails (3.5')	30	2015	13,000	11,700	1,300	433	12,133	
Cabana Sauna/Bath Rerr	30	2015	5,000	4,500	500	167	4,667	
Termite Fumigation (7630)	15	2015	6,000	4,800	1,200	400	5,200	
Pool Filter	12	2016	1,300	867	433	108	975	
Pool Heater	10	2016	3,300	1,980	1,320	330	2,310	
Sauna Heater	15	2016	2,600	1,907	693	173	2,080	
Spa Heater	8	2016	3,300	1,650	1,650	413	2,063	
Termite Fumigation (7630)	15	2016	6,000	4,400	1,600	400	4,800	
Bridge Repair	15	2017	11,000	7,333	3,667	733	8,067	
Termite Fumigation (7620)	15	2017	6,000	4,000	2,000	400	4,400	
Card Readers/Buzzers	12	2018	4,400	2,200	2,200	367	2,567	
Roof - Metal Carport	30	2018	180,000	144,000	36,000	6,000	150,000	
Termite Fumigation (7630)	15	2018	6,000	3,600	2,400	400	4,000	
Sub-Totals			\$1,476,200	\$1,397,397	\$78,803	(\$790,740)	\$606,657	

Sub-Totals (Previous Pg):		1,476,200	1,397,397	78,803	(790,740)	606,657
Termite Fumig. (7602) 15 2019		6,000	3,200	2,800	400	3,600
Termite Fumig. (7610) 15 2019		6,000	3,200	2,800	400	3,600
Stair Landing Resurface 20 2020		44,200	26,520	17,680	2,210	28,730
Split Rail Fence 35 2020		6,300	4,860	1,440	180	5,040
Structural Plumbing 35 2020		600,000	462,857	137,143	17,143	480,000
Pool Refiberglass 12 2020		10,000	3,333	6,667	833	4,167
Intercom 15 2021		3,900	1,560	2,340	260	1,820
Slide Gates 25 2022		6,400	3,840	2,560	256	4,096
Termite Fumigation (7624 15 2023		6,000	1,600	4,400	400	2,000
Termite Fumigation (7636 15 2023		6,000	1,600	4,400	400	2,000
Termite Fumigation (7640 15 2023		6,000	1,600	4,400	400	2,000
Termite Fumigation (7628 15 2025		6,000	800	5,200	400	1,200
Siding Replacement 20 2025		330,000	115,500	214,500	16,500	132,000
Termite Fumigation (7628 15 2025		6,000	800	5,200	400	1,200
Front Wood Fence 20 2027		30,000	7,500	22,500	1,500	9,000
Pool Tile/Coping 20 2028		3,400	680	2,720	170	850
Pool Decking 20 2028		11,000	2,200	8,800	550	2,750
Sauna Remodel 20 2028		5,400	1,080	4,320	270	1,350
Roof Shingle 7602, 06 & 25 2036		79,500	3,180	76,320	3,180	6,360
Gutters/Downspouts 25 2029		42,000	13,440	28,560	1,680	15,120
Roof Shingle 7626, 30 & 25 2031		79,500	19,080	60,420	3,180	22,260
Roof Shingle 7624 & 28 25 2034		53,000	6,360	46,640	2,120	8,480
Roof Shingle 7636 & 38 25 2035		53,000	4,240	48,760	2,120	6,360
Reserve Surplus (Shortage)			(632,847)	632,847	169,004	(463,843)
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TOTALS		\$2,875,800	\$1,453,580	\$1,422,220	(\$566,784)	\$886,796

Item #5. Ratio of actual cash reserves on hand to estimated cash reserves currently required	69.7%	Projected Ratio at Year-End	65.7%
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Item #6: Reserve Shortage per unit:	(\$3,535.46)	(\$2,591.30)
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Item #7: Reserve Projections at year-end for next five years:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Estimated Required in Reserve	\$1,350,639	\$1,567,752	\$1,807,864	\$1,818,576	\$2,048,188
Based on Current Funding:					
Net Change In Reserves	(566,784)	373,016	396,016	166,616	385,516
Projected Reserve Balance	886,796	1,259,812	1,655,828	1,822,444	2,207,960
Projected Percentage Funded	65.7%	80.4%	91.6%	100.2%	107.8%
Based on Plan Being Implemented:					
Net Change In Reserves Per Plan	(566,784)	373,016	396,016	162,748	229,352
Projected Balance Per Plan	886,796	1,259,812	1,655,828	1,818,576	2,047,928
Projected Percentage Per Plan	65.7%	80.4%	91.6%	100.0%	100.0%

Item #8: Reserve Funding Plan: The Board of Directors has adopted a plan to fully fund the reserves with increases in assessments and/or special assessments as needed. In the event of a surplus, the Board will reduce assessments as needed to eliminate the surplus in an orderly fashion. Increases or decreases in assessments shall be effective annually on January 1st in an amount adequate to meet increased operating costs and to fund the reserves.

Item #8a: The last reserve study was prepared by J.D. Brooks (Nov., 2010) as of January 1, 2011.

Item #8b: Estimated Annual Interest Rate Earned on Reserve Funds: 1%
Estimated Annual Rate of Inflation: 0%

NOTES:

IN 2007:

1. Bldgs 7636 & 7640 were fumigated for termites (Approx \$11,500).
2. Fence along Hollister Avenue replaced (Approx \$30,000).
3. Reserve Study done by JD Brooks (\$1,100).
4. Plants and irrigation installed on creekside of 7628 (Approx \$1,630).
5. Dryrot repaired at 202, 206, 207, 208, 209, 216, 217, 220, 244, 268, 271, 272, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 316, 317, 344, 368, 371, & 372. Replaced siding was painted. (Approx \$273,000).
6. The Board modified the reserve study by moving part of the roofing to 2008, increasing siding replacement reserves, changing the dates for exercise equipment and painting wood siding, & adding a reserve for concrete replacement.
7. Leaks under pool deck repaired (Approx \$2,200).
8. Dryrot repaired at #248, 259, 313, 348, 359, & 362 (Approx \$65,200).
9. Trees pruned around buildings & 8 new trees planted (Approx \$3,500).
10. Carport at 7634 hit by car. Repair cost reimbursed by insurance company (Approx \$4,500).

IN 2008:

1. Bldg 7624 fumigated for termites (Approx \$4,900).
2. Large Eucalyptus tree removed (Approx \$4,600).
3. Jacuzzi heater replaced (Approx \$3,800).
4. Trees trimmed throughout complex (Approx \$6,000).
5. New chemtrol installed for pool (Approx \$3,600).
6. Pool resurfaced, coping replaced & drains split (Approx \$22,300).
7. Majority of pool deck replaced (Approx \$10,000).
8. Wood in sauna replaced (Approx \$5,400).
9. Settlement received from Forester on siding (Approx \$103,900).
10. Dry rot repaired & painted at units #104, 207, 210, 211, 212, 219, 220, 257, 307, 308, 309, 310, 311, 312, 319, 333, 357, 366, & 367 (Approx \$107,000).
11. Projected cost of Major Repairs & Replacements increased by 6% to anticipate increases due to inflation.
12. Jacuzzi brought up to code-new drains & rails (Approx \$2,300).
13. Dry rot repaired at #205 back balcony (Approx \$19,000).

IN 2009:

1. Preventive maintenance performed on all roofs (Approx \$4,000).
2. Building 7628 reroofed (Approx \$22,600).
3. Woodchips spread throughout common area (Approx \$1,600 for supplies only).
4. Raised concrete replaced at 7264, 7626, 7630, 7632, 7634, 7638, & 7640 (Approx \$8,600).
5. Building 7624 reroofed (Approx \$15,600).
6. Elliptical exercise machine & weights replaced (Approx \$1,100).
7. Trees trimmed throughout complex (Approx \$6,400).
8. Dryrot repaired at #214, 217, 313, 323, 234, 325, 339, 342, 343 & 363 and carport facia at 234 & 334 and a number of trash enclosures (Approx \$48,000).
9. Lumber & siding material purchased for dryrot project (Approx \$6,400).
10. Repaired dryrot areas painted (Approx \$5,700).
11. Asphalt slurry sealed (Approx \$42,000).
12. Structural & soil engineers hired to investigate 7606 foundation (Approx \$6,000).
13. Temporary supports installed for foundation of 7606 (Approx \$1,200).
14. Section of sewer line replaced near 7632 #124 (Approx \$1,200).
15. Roof maintenance performed on all roofs (Approx \$4,000).
16. Surface drains near 7606 inspected with camera (Approx \$1,300).

IN 2010:

1. Staircase at 7602 #301 replaced (Approx \$3,400).

2. Siding replaced at 7630 #120 (Approx \$2,400).
3. Bldgs 7636 & 7638 reroofed & dry rot repaired (Approx \$23,100 & \$26,400 respectively).
4. Jacuzzi pump replaced (Approx \$1,000).
5. Staircase replaced at 7638 #364 due to dryrot (Approx \$8,600).
6. Bldgs 7626 & 7628 fumigated for termites (Approx \$4,700 & \$6,000 respectively).
7. Staircase at 7640 #369 replaced due to dryrot (Approx \$2,600).
8. Eucalyptus trees treated for lerp psyllids (Approx \$2,300).
9. Common sewer lines and manholes cleared. (Approx \$2,500).
10. Trim installed on chimneys to prevent bat access (Approx \$4,900).
11. Concrete handicap ramp installed at 7620 (Approx \$2,500).
12. Carport fascia replaced for stalls #259 & 360 due to dryrot (Approx \$2,000).
13. Retaining wall of railroad ties replaced at 7610 (Approx \$1,300).
14. Two Eucalyptus trees trimmed at 7620 (Approx \$2,900).
15. Foundations inspected and plans prepared to shore up foundations of 7602, 7606 & 7610 (Approx \$17,300).
16. Siding repaired at back balcony of 7602 #302 (Approx \$1,300).
17. Short wall replaced at front of 7602 #205 (Approx \$1,500).
18. Attorney retained to give legal opinion of slab leak responsibility (Approx \$1,300).
19. Board voted to increase foundation reserve to \$520,000 and move back trim painting to 2012.
20. Drywall repaired in 7630 electrical room (Approx \$1,100).
21. Diseased eucalyptus tree removed near 7634 #256 (Approx \$2,800).
22. Payment made on Small Claims Court judgment (\$6,518).
23. All Red Gum Eucalyptus trees were treated for lerp psyllid (Approx \$2,800).
24. Reserve study done by J.D. Brooks (\$1,280).
25. Proximity card readers installed at pool gate & exercise rooms (Approx \$3,300).

IN 2011:

1. Bldg 7606 was underpinned & foundation water proofed (Approx \$46,000).
2. Bldg 7610 was underpinned & foundation water proofed (Approx \$48,500).
3. Jacuzzi heater replaced (Approx \$3,000).
4. Creekbed cleared & vegetation removed (Approx \$2,800).
5. Trees trimmed at 7602, 7606, 7620, & 7634 (Approx \$5,000).
6. Red gum eucalyptus trees treated & fertilized (Approx \$2,800).
7. Foundations of buildings inspected (Approx \$1,100).
8. Main sewer line and manhole cleaned out for 7636, 7638, & 7640 (Approx \$2,800).
9. Carport fascias replaced at 7620 (Approx \$2,200).
10. Siding replaced at 7634 #256 & 356 due to dryrot (Approx \$12,500).
11. Siding replaced at 7620 #220 & 320 due to dryrot (Approx \$9,800).
12. Siding replaced at 7610 #315 due to dryrot (Approx \$1,700).
13. DG paths repaired and recompact (Approx \$4,500).
14. Jute netting installed and 400 one gallon plants planted to stabilize creekbed (Approx \$5,800).
15. Reserve created for plumbing repairs in foundations.
16. Association paid balance of Small Claims judgment (Approx \$3,300).
17. Bldgs 7602, 7606 & 7610 reroofed (Approx \$78,000).

Item #9. INSURANCE: California Civil Code Section 1365 requires an annual insurance disclosure of the Association's insurance as follows:

GENERAL LIABILITY INSURANCE:

Company: Allstate Insurance Company

Coverage: \$2,000,000 Per Occurrence

Umbrella: \$1,000,000 Per Occurrence

Anniversary Date: November 15th

Deductible: None

Anniversary Date: March 5th

PROPERTY INSURANCE: Coverage: \$28,401,000

Company: Allstate Insurance Company

Anniversary Date: November 15th

Deductible: \$10,000

EARTHQUAKE INSURANCE: Coverage: \$31,356,823

Company: Insurance Company of the West

Anniversary Date: November 15th

Deductible: 5% of Total Insurable Value

FIDELITY INSURANCE: Coverage: \$750,000

Company: Allstate Insurance Company

Anniversary Date: November 15th

Deductible: \$250

FLOOD INSURANCE: The Association has none.

This summary of the association's policies of insurance provides only certain information, as required by subdivision (f) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate coverage.

REQUIRED DISCLOSURES:

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY FOR CURRENT BUDGET YEAR (Required by Civil Code Section 1365.2.5)

Item #'s are found on the first few pages.

(1) The regular assessment per ownership interest is as per **Item #1** Note: If assessments vary by the size or type of ownership, the assessment applicable to the ownership interest may be found on the page of the attached summary as per **Item #1**.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the Board and/or members are as per **Item #2**. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to the ownership interest may be found as per **Item #2**.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Subject to the information available as of the date of preparation hereof:

If the ratio as per **Item #5** is equal to or exceeds 100%, the answer is "Yes" for the years shown.

If the ratio is less than 100%, the answer is "No".

If the ratios as per **Item #7** are equal to or exceed 100% over the next 5 years, the answer is "Yes".

If the ratios are less than 100%, the answer is "No".

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

An assessment averaging the "Reserve Shortage" (if any) per unit would be necessary as per **Item #6**.

(5) The board has reasonably determined that all major components are included in the reserve study and are included in its calculation.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the California Civil Code, the estimated amount required in the reserve fund at the end of the current budget year is as per **Item #4**, based in whole or in part on the last reserve study or update prepared as per **Item #8a**. The projected reserve fund cash balance at the end of the current budget year is as per **Item #4**, resulting in the percentage of reserve funding being as per **Item #4**. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is explained as per **Item #4**.

7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the California Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is as per **Item #7** and the projected reserve fund cash balance in each taking into account only assessments already approved and other known revenues, is as per **Item #7**, leaving the reserve at the percent funding as per **Item #7**. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years and the percent funding will be as per **Item #7**.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of preparation. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was as per Item #8b, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was as per Item #8b.

For the purposes of preparing this Summary Section 1365.2.5 (b) of the Civil Code states:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 1365.5. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

Note: The information contained in this disclosure is a PROJECTION ONLY. Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (i) future inflation rates, (ii) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.

MINUTES & NAMES AVAILABLE: Each year the Association is required to disclose that minutes for all Association or Directors' meetings, and a list of owners are available to all owners. The cost, if any, of providing copies of the minutes and owners' list is to be paid by the requester.

DELINQUENCY & LIEN POLICY: Unless otherwise stated all fees and assessments (including special assessments) are due on the first day of each month, in advance, and shall be delinquent 15 days after the due date. A late charge of 10% of the delinquent fee or assessment will be charged and added to the amount due. If fees, assessments, and/or late charges are unpaid at the end of any given month, a lien will be filed against the delinquent unit for the full amount due plus applicable interest, attorney fees, lien filing costs and other costs of collection. If the balance due is not paid within thirty (30) days after the lien is filed, the Association may take any and all actions permitted by law including, but not limited to, filing suit and/or foreclosing the lien.

PRIOR ADR REQUIRED: Each year the association is required to disclose that before an association or member files a lawsuit to enforce the governing documents, (other than for the collection of assessments), the parties must attempt to resolve the dispute by use of Alternative Dispute Resolution. "Failure of any member of the Association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your rights to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

INTERNAL DISPUTE RESOLUTION PROCESS: The Association has adopted the procedures as per Section 1363.840 of the Civil Code.

INSURANCE: See summary as per Item #9.

MODIFICATIONS REQUIRE PRIOR APPROVAL: Each year the Association is required by Section 1378 of the Civil Code to disclose that all modifications or alterations which alter the common area or the exterior appearance of any structure in any way, require prior written approval of the Board of Directors or a designated committee of the Board. In addition, any alterations to the structure of any unit or building or alterations which may impact another owner in any way also require prior written approval.

Written requests must be submitted to the Board or designated committee for approval which shall approve, conditionally approve, or reject the request in writing within a reasonable time, but in no event later than ninety days from date of receipt of the request. If denied, the requestor shall be given the opportunity to appeal the decision or ask for reconsideration of the Board at the Board's next regularly scheduled meeting.

The following is a notice required by Civil Code Section 1365.1:

NOTICE: ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 1366, 1367.1, and 1367.4 of the Civil Code).

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 1366 and 1367.1 of the Civil Code).

The association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 1367.1 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 1367.1 of the Civil Code).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 1367.1 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 1367.1 of the Civil Code). An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 5 (commencing with Section 1368.810) of Chapter 4 of Title 6 of Division 2 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 1367.1 of the Civil Code).

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (Section 1367.1 of the Civil Code).

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 1367.1 of the Civil Code).

Section 1363.005 of the California Civil Code provides that the following "Disclosure Documents Index" be provided to any member at the member's request. It is being provided as part of the annual disclosures.

Disclosure Documents Index

<u>Item & Description</u>	<u>Civil Code Section Reference</u>
1. Assessment and Reserve Funding Disclosure Summary (form)	1365.25
2. Pro Forma Operating Budget or Pro Forma Operating Budget Summary	1365 (a)
3. Assessment Collection Policy	1365 (c) & 1367.1 (a)
4. Notice Assessments and Foreclosure (form)	1365.1
5. Insurance Coverage Summary	1365 (f)
6. Board Minutes Access	1363.05 (c)
7. Alternative Dispute Resolution (ADR) Rights (summary)	1369.590
8. Internal Dispute Resolution (IDR) Rights (summary)	1363.85
9. Architectural Changes Notice	1378 (c)
10. Secondary Address Notification Request	1367.1 (k)
11. Monetary Penalties Schedule	1363 (g)
12. Reserve Funding Plan (summary)	1365 (b)
13. Review of Financial Statement	1365 (c)
14. Annual Update of Reserve Study	1365 (a)